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DID THIS MAN CON THE CIA?

By Stephen Magagnini

In the early 1980s, life and the CIA were good to Ronald Rewald. The baker's son from Wisconsin set himself up in a million-dollar beach-front spread on the outskirts of Honolulu. He dined with Hawaii Gov. George Ariyoshi. Jack Lord of TV's "Hawaii Five-0" called him "a dear friend." He played polo — badly — with Enrique Zobel and the sultan of Brunei, two of the world's richest men. He owned Rolls-Royces, Mercedes and Cadillacs, a Jaguar and an Excalibur. He drove Tom Selleck's red Ferrari.

As chairman of the board of Bishop, Baldwin, Rewald, Dillingham & Wong, a multimillion-dollar international investment and consulting firm that provided "light cover" for the Central Intelligence Agency, Ronald Rewald oozed wealth and power. His annual salary reached \$250,000. He bought a cabin cruiser and named it Nancy after his wife. He spent \$70,000 a year on tutors for his five children.

And when the soft-spoken, self-effacing Rewald wasn't cultivating the aristocracy in Hawaii, he was traveling first-class to Hong Kong, Taiwan, Singapore, Indonesia, Australia, London, Paris and Argentina. Upon his return, he would file reports with the CIA's field office in Honolulu. A CIA agent called him a "genius."

It was a remarkable transformation for the 43-year-old Rewald, a high school graduate who came to Hawaii in 1977 with a bankruptcy and a misdemeanor conviction for theft under his belt, and within five years found himself running a company that had taken in \$22 million from investors.

While Rewald was supposed to be managing the finances of more than 400 investors in the lofty corporate offices of Bishop, Baldwin, he was trysting at a nearby apartment — he called it a "safe house" — with a parade of women.

According to testimony from nearly two dozen women at his trial, Rewald romanced the young and the matronly, models and secretaries, an insurance agent and a Playboy playmate — women who shared a common interest in Rewald and his money. About \$287,000 of it, according to the FBI. Rewald paid for their sports cars and their apartments; he sent one woman to college and another to Europe.

Eventually, many of them entrusted their assets to Rewald. In the end they, too, came up empty-handed, along with the three-star generals, doctors, dentists, morticians, attorneys and CIA agents who invested in Bishop, Baldwin, Rewald, Dillingham & Wong and its promise of 26 percent annual return on investment, *guaranteed*. After all, Bishop, Baldwin and Dillingham are some of Hawaii's

most venerated names; as one investor who lost \$42,500 from her late husband's estate put it, "If they go broke, all Hawaii goes broke."

As news of the investment company's fabulous success spread throughout Hawaii, hundreds of investors approached Rewald clamoring for a piece of the action. The company's standard line was that the average investor had a portfolio worth \$4 million and that the waiting list was two years long. But the kind-hearted Rewald always seemed ready to make an exception.

Those who opened "investment savings accounts" included businessmen from Australia and Indonesia, a deputy police chief, a blind man, 18 people from Northern California, rich widows and poor widows and a widow dying of cancer. Rewald's closest relatives and in-laws, including his sister and his father, now deceased, invested nearly \$1 million.

By 1983, Bishop, Baldwin's technicolor prospectus boasted assets of \$1.5 billion and branches in Sydney, Singapore, Papeete, Hong Kong, Paris, London and Stockholm. Returns on investment ranged from 20 to 50 percent and Ronald Rewald, a self-described former halfback for the Cleveland Browns with a law degree from Marquette Uni-

versity, was the toast of Honolulu. He was appointed honorary sheriff. He made donations to the Boy Scouts, the Salvation Army and religious charities. He contributed money to the governor and lieutenant governor and talked of running for the U.S. Senate.

But in the summer of 1983, Bishop, Baldwin, Rewald, Dillingham & Wong suddenly collapsed following a routine investigation by the Hawaii Department of Consumer Affairs.

By the time the state regulators, the Internal Revenue Service and a group of nervous investors converged on the firm's high-rise headquarters, the money was gone. Rewald was found on the 16th floor of a Waikiki hotel with his wrists slashed.

When Rewald was released from the hospital a week later, the company had been forced into involuntary bankruptcy. Astonished investors learned that only \$630,000 of the \$22 million they had pumped into the Bishop, Baldwin company had ever been invested in legitimate projects. The rest had been used to pay an earlier group of investors (with at least a 20 percent dividend) — or spent on cars, polo ponies, ranches, boats and trips abroad for Rewald and his colleagues at Bishop, Baldwin.

Rewald was arrested and charged with theft by deception. His bail was set originally at \$10 million, the largest in Hawaii's history, and he was charged ultimately with 98 counts of fraud, perjury and tax evasion.

Following an 11-week trial last summer, Rewald was convicted of 94 of those counts and sentenced to 80 years with little possibility of parole until 2014, when he will be 72 years old.

After a team of four of the U.S. government's finest attorneys got through with some 125 prosecution witnesses, they made Rewald, a churchgoing family man, look like the smoothest, horniest, most unconscionable huckster in modern times. The law degree from Marquette, the Cleveland Browns football jersey, the Price-Waterhouse insignia on the Bishop, Baldwin prospectus, the \$1.5 billion in assets — everything was a fake.

The government attorneys claimed the CIA, perhaps the world's most sophisticated intelligence agency, had been duped by a chump from the Midwest.

But wait, says Rewald. This is all a terrible mistake. It was the CIA that dreamed up the Bishop, Baldwin company in the first place to provide cover for secret agents working in the Far East. Nobody was supposed to lose money in Bishop, Baldwin. The CIA was supposed to keep it afloat with infusions of cash and the commissions on clandestine arms deals, Rewald says. The 400 investors who lost a combined \$13 million, not counting interest due, would have been reimbursed, Rewald says, if he had been able to get his hands on more than \$10 million sitting in a secret bank account in the Cayman Is-

lands. The money, Rewald says, was the commission on the secret sale of M-60 tanks to Taiwan — a sale that was made through the CIA because the Carter administration had signed an official agreement with mainland China promising to end shipments of offensive weapons to its capitalist adversary, Taiwan.

When the company had its cover blown in July 1983, Rewald says, the CIA liquidated the Cayman Island bank account, erased all evidence of the account, and tried to "cut and run," leaving Rewald to take the fall.

Portraying himself as a patriot, if not a hero, in the service of his country, Rewald says he was only following the orders of the CIA.

Rewald claims the company was used by

the agency to monitor wars and revolutions, to orchestrate politically embarrassing arms sales to Taiwan and India, to divert literally billions of dollars from British to U.S. banks, and to provide a wide range of services for clients ranging from Ferdinand Marcos to Rajiv Gandhi. Rewald says it was the CIA that supplied him with the fake law degree from Marquette, the CIA that wrote the phony prospectus, the CIA that directed him to take the cabbage from kings (or at least retired generals).

And, Rewald charges, it was the CIA that hired a former member of the Green Berets to assassinate him while he was awaiting trial in prison.

The ravings of a delusional madman? The bilge of a desperate bunko artist? Perhaps. The government attorneys were able to minimize any evidence pointing to the CIA's alleged involvement in Rewald's phony company. They managed to persuade a jury that Rewald, a Gene Wilder look-alike, had masterminded a fraudulent pyramid scheme to underwrite his hedonistic, jet-set lifestyle.

Bishop, Baldwin had indeed been used by the CIA, the government acknowledged, but as nothing more than a maildrop and a phone contact. Rewald, far from the super-spy he held himself up to be, was a bit player in the world of espionage. The FBI, which investigated the Rewald case for the U.S. government, said the company's banking records showed no evidence of any multimillion-dollar weapons deals.

But when Rewald tried to introduce a steamer trunk full of tapes and documents he claimed would expose the CIA's seminal role in the creation of Bishop, Baldwin,

federal Judge Harold Fong reviewed the material and decided that nearly all of it was either irrelevant — or inadmissible as evidence in the interests of national security. CIA Director William Casey himself filed an affidavit with the court saying that much of Rewald's CIA-related evidence is "classified" and should be sealed.

Before the trial was over, the government admitted that at least half a dozen CIA agents used Rewald's company and its subsidiaries as "light cover," which included business cards, telephone numbers, addresses, a desk and a telex machine. The government admitted that at least nine present or former CIA agents had money invested in Bishop, Baldwin. It admitted that the CIA had signed Rewald to a secrecy agreement in California five years before the collapse of Bishop, Baldwin — an agreement that was approved despite background checks that revealed Rewald had been convicted of theft in Wisconsin.

When the IRS came after Rewald for \$1.8 million in unpaid taxes, the CIA admitted it gave Rewald three separate stories to stall the IRS investigation while several CIA agents pulled several hundred thousand dollars out of their investment accounts.

And, most intriguing, the CIA admitted it had sent a cable in May 1979 to the Hawaii field office that could be interpreted as a blueprint for the creation of a dummy company such as Bishop, Baldwin.

The cable suggested that CIA agent Charles Richardson, as a cover story, describe himself "as the principal in a major Hawaiian and West Coast investment firm which has major interests in Asia as well as the U.S. That partners in this firm are from some of the oldest, wealthiest and most influential families in Hawaii."

The cable went on to say that agent Richardson would tell "targets" he was "a special assistant" to the head of such a company, a person "with substantial political stature." Richardson admitted he later became the head of a company originally founded by Rewald.

Rewald, in a recent interview with The Bee, says the CIA cable described "exactly what Bishop, Baldwin was in 1982-83. That was exactly what they wanted us to develop — and we did." If the cable was indeed a blueprint for the Bishop, Baldwin company, Rewald

carried out his instructions beyond the CIA's wildest hopes — or nightmares.

Ronald Rewald no longer is wearing monogrammed shirts, gold Rolex watches and \$500 Navy-blue wool suits purchased from Andy Mohan, Hawaii's finest clothier. He dresses in khakis and T-shirts and works as a suicide prevention counselor and librarian at Terminal Island, an all-male medium-security prison in Southern California. His wife and children no longer live in mansions but in what Rewald describes as "a rat-infested, two-bedroom apartment in Los Angeles."

But the Rewald case is far from closed. Melvin Belli of San Francisco and Rodney Klein of Sacramento, two hard-ball attorneys who have made their millions and their reputations by slaying giants, have filed separate civil suits against the CIA on behalf of several Bishop, Baldwin investors.

Rewald's appeal is being handled by Brent Carruth, a tenacious attorney from Van Nuys who recently broke new ground when he won the acquittal of former CIA agent Richard Craig Smith on charges of selling agent lists to the KGB.

Carruth says a lot more is at stake in Ronald Rewald's appeal than the fortunes of Rewald himself. Carruth says the government deprived Rewald of his right to a fair trial by preventing him from introducing the CIA-related evidence that could have exonerated him.

Carruth says the entire U.S. system of justice will be called into question if a man's right to a fair trial is superseded by the omnipotence of a shadow agency that has put itself beyond the law of the land in the "interest of national security." Does the CIA's cover story absolve it of all responsibility for the 400 people — greedy and gullible, but victims nevertheless — many of whom lost their life savings in a cardboard company that was being used, to whatever extent, by the CIA?

What follows — based on thousands of pages of court documents and dozens of interviews — is the story of how Ronald Ray Rewald, a little guy with a major-league imagination, lived out a fantasy worthy of James Bond with the help, if not the blessing, of the CIA.

Rewald, descended from a long line of German bakers, grew up in Milwaukee. At 18, he married Nancy Imp and enrolled at M.I.T. — Milwaukee Institute of Technology, a two-year junior college. There, Rewald says, he was recruited by the dean of students for a CIA project that may have been a forerunner to "Operation CHAOS," an illegal CIA domestic spying operation involving radical student groups.

Rewald claims he was given the code name "Winterdog" and paid \$120 a week to grow his hair long and spy on Students for a Democratic Society and the Black Panthers, radical groups the CIA believed were being financed or infiltrated by foreign communists — a claim the CIA denies.

After a marginal career as an NFL running back, Rewald says he went into the sporting goods business with several professional football players.

Patricia Ann Ebert, a neighbor of Rewald's in Mequon, Wis., whose family lost \$192,787 in Bishop, Baldwin, testified, "He was certainly the flashiest one in

the neighborhood. He drove a yellow Corvette. His children had the latest in extravagant toys, gas-powered motor cars, trampolines and he put a swimming pool in." Ebert said that even then, Rewald claimed CIA ties and a law degree from Marquette. Ebert admitted she later had an affair with Rewald in Hawaii.

Despite Rewald's well-to-do facade, the sporting goods venture went bankrupt in 1976 and Rewald pleaded guilty to misdemeanor theft for collecting \$2,000 for the sale of a defunct sporting goods franchise.

Rewald, ever-resilient, activated yet another company, Consolidated Mutual Investments Corp., with \$25,000 belonging to a Milwaukee mortician, and registered it with the U.S. Securities and Exchange Commission as an "investment adviser."

Rewald now had a wife and five small children, a criminal record and a record of failure as a businessman. He figured he could improve his prospects by moving to Hawaii.

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So in 1977 the would-be spy moved out to the beach. Rewald, who prosecutors say "didn't have two nickels to rub together" when he landed in Hawaii, began scouting the country clubs of Oahu. On a tennis court Rewald met Sunlin (Sunny) Wong, an ambitious young real estate salesman who was licensed to sell securities. Wong was to become the president of Bishop, Baldwin, Rewald, Dillingham & Wong.

Wong helped Rewald buy a seven-bedroom home from former Cambodian president Lon Nol. Then Rewald moved into Wong's offices on the 15th floor of the Amfac Building in Honolulu and opened a couple of sporting goods stores, all of which lost money.

Then, in June 1978, Rewald telephoned Eugene Welch, the CIA station chief in Honolulu. Rewald told Welch of his days as "Winterdog," added he had advanced degrees from Marquette and M.I.T. and volunteered to file reports on business trips to China and other Far Eastern locations. "My sporting goods business was going down the tubes and ... I really had an interest in getting more involved with the CIA," he says.

Welch testified that Rewald came off as "a genius. He had a great deal of charm. I couldn't probe his intellect."

Welch, who was in charge of the CIA's Domestic Collections Division, which collects "foreign intelligence from U.S. citizens who voluntarily offer it," filed the following "DCD source/contact sheet" on Rewald:

"Source was a walk-in who volunteered his services, moved, he said, to this action in sympathetic reaction to the years of criticism and slander leveled against the U.S. intelligence community. He claims a past association with the agency during his student days ...

"He shows promise of developing into a productive source of FI (foreign intelligence), once he has been oriented properly as to the agency's real needs and interests ... he would have to be cautioned not to let his enthusiasm cloud his judgment as to his real capabilities."

According to court documents, Welch said the CIA could use Rewald as a good source of information on economic issues in the Far East. Soon after Welch filed his report, CIA headquarters in Langley, Va., issued Rewald a security clearance good for the next five years. He was made the head of what was to be the first of five

CIA fronts, a dummy company by the name of H & H Enterprises that supposedly dealt in antiques.

Before Welch retired in September 1978, he introduced Rewald to his successor, Jack Kindschi, a career CIA agent with a background in clandestine activities in the Soviet Union, Sweden and Greece. Kindschi was equally impressed with Rewald, an ingratiating St. Bernard of a fellow.

Kindschi and Rewald became extremely close. Both men were from Wisconsin and had a similar view of the world, Kindschi testified. It was Kindschi who in 1978 first recommended that Rewald be used as "acting manager" of a paper company, Canadian Far East Trading Co., "to backstop agency officers' aliases," according to testimony. Rewald, wrote Kindschi, "would appear to be a natural for this task." The CIA gave Rewald about \$3,000 to pay for telephone and telex bills run up by agents using Canadian Far East Trading Co.

In late 1978, Rewald changed the name of his company, Consolidated Mutual Investments, to Bishop, Baldwin, Rewald, Dillingham & Wong because the "kamaaina" (old Hawaiian) names Bishop, Baldwin and Dillingham are "synonymous with Hawaii." CMI became a subsidiary of Bishop, Baldwin.

Rewald claims Bishop, Baldwin was Eugene Welch's idea, and that it was Welch who supplied Rewald with fake degrees from Marquette University — charges Welch has denied in court.

However, a CIA cable that was introduced at Rewald's trial outlined a "... a major Hawaii and West Coast investment firm which has major interests in Asia as well as the U.S. whose partners ... are from some of the oldest, wealthiest and most influential families in Hawaii." This firm, which sounds suspiciously like Bishop, Baldwin, was to be used as a cover story for Charles Richardson, a CIA agent who was doing undercover work in the Far East.

In 1979, when CIA headquarters asked for a "personal assessment" of Rewald, Kindschi described him as "an eager beaver ... a win-

ner ... extremely dependable ... In the short time he has lived in Hawaii, he has managed to associate his company with three or four of the oldest and most exclu-

sive families in Hawaii (Bishop, Baldwin and Dillingham) ... we have looked at the subject very closely, especially in a social setting, and we have found that everything that he has told us appears to be true, including scrapbook documentation of his athletic background and sports business in the Midwest. We have also verified his salient character traits through mutual friends and visitors ..."

In June 1979 — Rewald says it was 1978 — CIA agent John Mason met with Rewald in a Los Angeles hotel and signed him to a CIA secrecy oath, despite a CIA background check that turned up Rewald's misdemeanor theft conviction in Wisconsin.

Kindschi, who brought Rewald into the world of espionage, said the affable Midwesterner never requested payment or favors for his CIA work and seemed motivated by "that side of his personality energized by risk-taking, derring-do and achievement."

Perhaps the 58-year-old Kindschi's judgment was obscured by his almost familial relationship with Rewald's children — and Kindschi's growing financial relationship with Rewald and his companies.

Starting in 1979, Kindschi made a series of investments in Interpacific Sports, a Rewald company, and Bishop, Baldwin, Rewald, Dillingham & Wong. When Bishop, Baldwin went under, a tearful Kindschi testified that he and his wife lost \$155,000 — and another \$104,000 Kindschi had invested for his 86-year-old mother, a widow who is legally blind and now living on Social Security.

Of much greater significance was Kindschi's role as an employee of Bishop, Baldwin. Kindschi testified he started working for the firm in 1979 (receiving \$12,000 in Bishop, Baldwin checks that year) and retired from the CIA in 1980 to become a consultant for Bishop, Baldwin. Kindschi traveled extensively and made up to \$7,000 a month. He earned 70 percent interest on one of his "investments" with Rewald and was given a free car.

Kindschi admitted in federal court that he was the author of several Bishop, Baldwin quarterly

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reports and the company's slick, pricey (and phony) brochure. It was this brochure — written to Rewald's specifications — that helped attract a legion of investors from throughout the United States and the world.

Kindschi claims he didn't realize he was writing phony reports and brochures until Bishop, Baldwin dissolved in August 1983.

Once Rewald had insinuated himself on the CIA, he threw himself into the role he claims the CIA assigned him — the free-spending, high-living, influential chairman of the board of Bishop, Baldwin, Rewald, Dillingham & Wong, "One of the oldest and largest privately held international investment and consulting firms in Hawaii," serving satisfied customers "... since territorial days."

Rewald was moving up in the world. He went from the 15th floor of the Amfac Building to the 26th floor of the Grosvenor Center, the most expensive office building in downtown Honolulu. He spent \$8,000 to install a rock and fiberglass remote-control waterfall in his office, because — as he told one hapless investor — the bubbling noises had a tranquilizing effect. On his office wall he hung his business and law degrees from Marquette University, a plaque listing his membership in the Association of Former Intelligence Officers, and a photo of Richard Nixon (who Rewald told investors was a one-time client of his.)

"We then went out and hired a handful of attorneys and financial consultants to draw agreements and do estate planning," Rewald said. "We had to give the appearance of being a legitimate business."

Rewald says one of the CIA's prime objectives was to use Bishop, Baldwin as a means of diverting billions of dollars from banks in Hong Kong, Taiwan and Indonesia to selected U.S. banks.

In 1980, Rewald and Wong went to Hong Kong to research Bishop, Baldwin's now infamous study, "Capital Flight from Hong Kong and How Hawaii Can Benefit." Rewald said the study, published in a 400-page, gold-colored volume, was nothing more than a massive propaganda campaign suggesting that mainland China was planning to take control of Hong Kong within two years, even though the takeover isn't sched-

uled until 1997. "Our real job was to create unrest in the economy and keep as much money flying out of there (Hong Kong) as possible."

Once Bishop, Baldwin was operating (and beginning to take in investors' money), Rewald says the CIA directed him to purchase the run-down Hawaii Polo Club as a means of getting close to international money men like Enrique Zobel of the Philippines and the Sultan of Brunei, both billionaires and polo enthusiasts.

Rewald — through Bishop, Baldwin — spent \$278,259 to buy and refurbish the polo club, and another \$420,000 on a stable of 17 polo ponies and polo lessons. Once he had restored the club's luster, Rewald — who had been on a horse twice in his life and was allergic to the animals — used "the sport of kings" to establish friendships with a prince from the United Arab Emirates, British royalty, Zobel and the Sultan of Brunei.

Rewald claims Zobel provided him — and through him, the CIA — with valuable intelligence on the status of the Marcos regime in the Philippines. According to documents obtained by The Bee, Rewald and Zobel formed a partnership, Hawaii Ayala Corp., which apparently never did any business.

But Rewald says his biggest prize was the Sultan of Brunei, whose oil-rich nation on the island of Borneo had recently gained its independence from Great Britain. Rewald says he sent his polo team to Brunei, then invited the Sultan to Honolulu: "We had dinner maybe six, seven times in Honolulu and I got very close to him." Rewald claims he ultimately induced the sultan to transfer \$4.6 billion from British banking institutions to two American banks, Morgan Guarantee and Citicorp. There are photos of the Sultan of Brunei and Rewald together, but it is impossible to determine what role — if any — Rewald played in the management of the sultan's billions.

Rewald also used the spruced-up polo club as an entre to Honolulu's inner circle. Through it he met politicians, Air Force generals, a Playboy playmate and Hawaii's most famous personality, actor Jack Lord, who starred as Steve McGarrett on the TV series "Hawaii Five-0."

According to testimony, Rewald sent Lord five movie scripts through a mutual friend who was a polo player. Lord dismissed the

scripts as junk, but Rewald befriended him anyway. Lord and his wife dined with the Rewalds several times and the couples exchanged expensive gifts.

Lord said he thought Rewald "was a very dear guy, a very dear friend." He never invested in Bishop, Baldwin, but he did sell Rewald a \$45,000 customized van from the set of "Hawaii Five-0."

Lord rejected numerous attempts by Rewald to put him on the payroll, but allowed Rewald to pick him up and drop him off at the airport in one of Rewald's chauffeured limousines. He said Rewald repeatedly invited him to use the offices of Bishop, Baldwin, but he refused.

But Rewald used his connection with Jack Lord to good advantage. Lord was listed on Bishop, Baldwin's organizational chart as a "special consultant," and Rewald told people that the office next to his was Jack Lord's office. Bishop, Baldwin rented three parking spaces in the basement of Grosvenor Center — one for Rewald, one for his office manager and one marked "reserved, Jack Lord." Company president Sunny Wong didn't even rate his own parking space.

A furious Lord testified that he had no idea there was a parking space or an office in his name: "It would have been a damnable lie if he (Rewald) had told anyone that I occupied an office or a parking space in that building ... I hate being used ... and I would have considered that being used."

Lord was only one of many Hawaiian personalities befriended by Rewald. Lt. General Arnold Braswell, commander in chief of the Pacific Air Force from 1981 to 1983, said he was pleasantly surprised when Rewald invited him to invest in Bishop, Baldwin, which Braswell thought "was out of my league." Braswell said he invested \$143,000 in Bishop, Baldwin (including \$66,000 in borrowed money) to take advantage of a "special deal" that promised up to 100 percent interest.

In documents filed in federal court, Rewald claims Braswell's account was one of 19 Bishop, Baldwin accounts used to channel CIA money into secret agency projects. But Braswell testified that the more than \$100,000 he lost in Bishop, Baldwin was his own.

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Braswell said he planned to go to work for Bishop, Baldwin upon his retirement from the Air Force. He — like many of the investors — is listed as a "consultant" in company brochures.

Another person Rewald met through the polo club was Playboy centerfold Cindy Brooks, a tall, green-eye blonde who was exercising the polo ponies.

Brooks, who said Rewald "had the right answers for every question," ended up losing \$2,400 of her own money in Bishop, Baldwin.

Brooks was one of many women whom Rewald courted at Arthur's, a dimly lit restaurant with red-cushioned booths in downtown Honolulu. Through Brooks, Rewald met Susan McGinnis, a stunning model and actress. McGinnis said Rewald showed her a gold Rolex watch and told her he paid \$27,000 for it.

Rewald said he maintained a "safe house" — a spy refuge that couldn't be traced back to the CIA — in room 907 of Harbor Tower Apartments, above Bob's Big Boy restaurant two blocks from Bishop, Baldwin's offices. The women who testified they saw the inside of Rewald's "safe house" included a self-described artist and writer of childrens' books by the name of Shane Diamond Emerald who said she was paid \$500 for each time she had sex with Rewald; a former secretary who kept track of her 29 sexual liaisons with Rewald by putting an asterisk in her diary after each encounter (she was paid \$32,350); an insurance agent who was paid \$103,000 by Rewald to serve as his mistress and traveling companion for 2½ years; a therapist who was paid \$12,000 and an 18-year-old legal messenger who said she had sex with Rewald in one of his Rolls-Royces.

As the investors' money rolled in, Rewald's fleet of automobiles grew to include a Mercedes Benz 450 SL coupe, a 1957 Thunderbird, a 1982 Corvette, a 1979 Continental, a 1969 Jaguar XKE roadster, a Mercedes sedan, an Excalibur, a red Ferrari used on Tom Selleck's television show "Magnum P.I." and four Cadillacs, including a limousine that once belonged to the governor. Before the charade was over, Rewald used Bishop, Baldwin to buy a 50 percent interest in an exotic car dealership, MotorCars Hawaii, and had use of Maseratis and Lamborghinis.

Rewald moved into a million-dollar mansion on a lagoon in an exclusive suburb of Honolulu. He decorated it with original drawings by Goya and Van Dyke, a Picasso print and several statues of knights in armor. He bought himself an antique gun collection that included a three-barreled revolver and a collection of rare knives, axes and sabres. He ordered six Cleveland Browns uniforms and had his name put on them, perhaps as a nostalgic reminder of his brief gridiron glory days. Rewald bought his five children \$5,000 worth of scuba diving equipment and told the store clerk that the customary 10 percent discount on such a large order "wouldn't be necessary." He spent another \$5,000 for a nose job.

Meanwhile, happy investors who were collecting interest ranging from 20 to 100 percent begat scores of other investors from all walks of life, even though Rewald told prospective clients that "90 percent" of all applicants were turned down.

The investors included Chester Owen, a blind California businessman who said he was impressed "by the sound of the waterfall" in Rewald's office, who lost \$240,000 — "every nickel he had"; Lani Sutton, a widow dying of cancer who lost \$30,000 that was to pay her medical bills; and widow Teresa Black, who lost \$81,000 in life insurance she collected after her husband and two sons were killed in an airplane crash in December 1981.

Rewald told clients he was investing their money in short-term construction loans, tea plantations in Indonesia, oil drilling rights off the coast of Korea, land deals on Maui and dozens of other real and imagined projects. The sad reality is that Bishop, Baldwin earned a grand total of \$9,000 in interest on \$22 million worth of investments because nearly all the money was kept in a checking account.

By mid-1982, Bishop, Baldwin's seemingly phenomenal success

was the subject of laudatory magazine and newspaper accounts. The Honolulu Chamber of Commerce and Voice of Business endorsed the fast-growing firm. But with the flurry of favorable press came questions. If Bishop, Baldwin, Rewald, Dillingham & Wong had been enriching Hawaiian

investors "since territorial days," as the brochures claimed, why was there no record of the firm before 1978? Why didn't the prospectus explain the profits and losses of Bishop, Baldwin's far-reaching investments? And why hadn't anybody met the three senior partners, Bishop, Baldwin and Dillingham?

"James T. Bishop, vice president of U.S. Domestic Operations," was one of the aliases used by California-based CIA agent Charles Richardson, who also used the name Richard Cavanaugh.

There was a Baldwin, but he wasn't "Robert J. Baldwin III, vice president of European Operations." He was David J. Baldwin, who described himself as CIA — "Catholic, Irish and Alcoholic." Baldwin, who met Rewald in 1977, ran a Milwaukee restaurant called the "Safe House" with secret passageways, code words to gain entrance and drinks with names like "Double Agent." Baldwin testified that Rewald signed him to a secrecy agreement, had him fill out a CIA job application and sent him to India to help with the purported sale of C-130 aircraft to Rajiv Gandhi — another deal secretly put through by the CIA because of the official U.S. relationship with India's hostile neighbor, Pakistan. ("We always support both sides because you never know who's gonna come out on top," explains Rewald.)

Baldwin realized a \$14,000 profit on a \$10,000 investment in the company bearing his name.

Rewald could explain away Bishop and Baldwin, but when people started asking about "Grant Randall Dillingham," he died suddenly. On April 23, 1982 the company issued a press release announcing that Dillingham had regrettably died of a heart attack three days earlier while visiting relatives in Manila. The touching press release extolled "Randy's ... wit, insight into problem-solving and unique ability to recognize opportunities in advance of trends."

The press release went on to say that "Randy" would

be buried near his Southern California home in a private ceremony. Company president Sunny Wong even flew to Los Angeles to attend the phony funeral of the non-existent Dillingham, whose "ashes" were scattered at sea.

While Rewald and Wong were able to deflect most of the questions thrown at them by investors, a growing number of state and federal agencies began to probe inconsistencies and false representations contained in company literature.

The Federal Deposit Insurance Corporation (FDIC) wanted to know why the firm claimed investors' accounts were insured up to \$150,000, when the federal government, by law, only insures accounts up to \$100,000.

The Securities and Exchange Commission wanted to know why Bishop, Baldwin, advertised "tax-deferred investment savings accounts" when such accounts are illegal; why the company filed no annual financial disclosure statements and finally, why Rewald had lied in his SEC application about his criminal record and his law degree from Marquette.

The Internal Revenue Service had serious questions about Rewald's tax returns from 1979 through 1982. Joseph Camplone, an IRS agent who happened to be a neighbor of Rewald's, grew curious when he saw all the fancy cars parked in Rewald's driveway and received reports from his children that Rewald's kids were dropped off at school in chauffeur-driven limousines.

Upon further investigation, Camplone learned Rewald — who told a life insurance agent he was worth \$6.5 million — claimed a net loss of \$11,775 in 1979, received a refund of \$1,917 on reported income of \$8,438 in 1980 and failed to file returns in 1981 and 1982.

Jack Rardin, who took over as CIA station chief in Honolulu from Jack Kindschi in 1980 and lost \$2,800 in Bishop, Baldwin, admitted the CIA gave Rewald three different "cover stories" for the IRS, the kind of fiction "used to protect an on-going operation from penetration by the KGB."

Rewald told Rardin his company had already been used by the CIA "for passing funds to individuals in the Middle East, Argentina, Hong Kong, Taiwan, Indonesia, California and Hawaii." Rardin reported to CIA headquarters that he had "no reason to doubt subject's (Rewald's) veraci-

ty. Subject, who is a shared source with the Foreign Resources Division (of the CIA), is a conscientious, patriotic individual who tends to quickly follow CIA instructions to the letter."

The IRS investigation was temporarily stalled for several weeks, but the hounds were on the trail even while Rewald was taking in more than \$12 million in new investment accounts in the final six months.

In July 1983, a would-be client of Bishop, Baldwin filed a complaint against the company with the Hawaii Department of Consumer Affairs, which began an inquiry into Bishop, Baldwin. A Honolulu television reporter learned of the inquiry and aired a July 29 report raising obvious questions about the identities of Bishop, Baldwin and Dillingham.

That afternoon Rewald, after saying his prayers at Our Lady of Peace Cathedral where he worshipped thrice weekly, checked into room 1632 of the Sheraton Waikiki Hotel. He considered jumping out the window, but said he didn't want to hurt any innocent passers-by. Instead, he swallowed a bottle of codeine and Tylenol pills to numb the pain, folded his clothes neatly, and then slit his wrists and forearms with a razor blade.

Rewald left two suicide notes for his wife Nancy apologizing for "all the pain and suffering I must be causing. I know how bad everything must look to you and everyone else. I want you to know I never did anything to hurt anyone... I started out working for our country and was abandoned when others feared for there (sic) jobs. It never dawned on me that I would be left alone and unprotected. Forgive me..."

But Rewald didn't die. While he was recovering in Queens Hospital, Bishop, Baldwin was forced into involuntary bankruptcy and the CIA confiscated six envelopes of key documents from the company files. Immediately upon his release from the hospital, Rewald was arrested on two charges of fraud by deception — one of them filed on behalf of his close friend, former CIA agent Jack Kindschi.

Sunny Wong, president of Bishop, Baldwin, pleaded guilty to two counts of fraud and agreed to testify against Rewald. He received two years in a minimum security federal prison and is now out. Rewald says CIA agent Charles Richardson, who was never charged, has either been reas-

signed to "deep cover" in Europe or has been kicked out of the CIA for his role in the Bishop, Baldwin scandal.

Rewald recalled, "The agency (CIA) originally thought they had it under control and then lost it and that's when they (Jack Kindschi and alleged CIA arms merchant Ned Avary) came to me and said, 'You're gonna have to be tough and you know what that means, we're gonna have to put some distance between us, don't worry about Nancy and the kids and the investors, they'll all be taken care of.'"

Thomas Hayes, the bankruptcy trustee, says Bishop, Baldwin "never balanced their checking accounts. There were no books, no journals, no ledgers. There wasn't a seasoned business person in the group. It took me six months to come up with a preliminary idea

of how much money was taken in and how much was spent. It took me an hour to see it was a ponzi (pyramid investment) scheme."

Rewald's bail was set at \$10 million. There were Rewald songs and Rewald T-shirts portraying him as either a swindler or a scapegoat for the CIA. He spent six months in Oahu Community Correctional Center waiting for his bail to be reduced.

Rewald got out of jail in January 1984 after his bail was reduced to \$140,000. After getting a job as a night watchman, he hooked up with a California film producer and tried to sell his life story to movie star Bo Derek. Derek said Rewald (who never told her he was facing criminal charges) — claimed he had 66 companies that the CIA used to move and launder money — money he could use to finance Derek's films.

Rewald insists there are indeed, numerous foreign bank accounts set up by Bishop, Baldwin and the CIA containing millions of dollars in commissions from secret arms sales to Taiwan, Syria and India. He claims that for the first few years, nearly all of Bishop, Baldwin's investment accounts were opened by CIA operatives as a means of funneling money into a variety of foreign operations, including — but not limited to —

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monitoring West German elections, penetrating the Swedish government, disinformation (propaganda) campaigns in Hong Kong, analyzing Argentina's ability to repay its loans to the U.S. after the Falklands crisis, a Chilean bank deal with the leader of the military junta, the debriefing of an Afghani rebel and a CIA-funded project to find MIAs in Southeast Asia led by Bo Gritz, until the agency pulled out.

In documents filed in federal court, Rewald claims \$4 million in foreign funds were sheltered in 19 different Bishop, Baldwin accounts allegedly used as conduits for CIA funds. Those accounts were held by Rewald, several employees, Kindschi, a number of retired military men, and a couple of Indonesian businessmen who put \$600,000 into Bishop, Baldwin the week before the company crumbled.

FBI special agent Glenn Martin, one of 20 FBI agents who worked full-time on the Rewald case, said he examined 100 accounts in 15 different banks and said Rewald had "signature control" over 81 of those accounts. Martin said nine present or former CIA agents were among Bishop, Baldwin's investors. They lost more than half a million dollars.

Martin said the bank accounts he examined held no evidence of any arms deals. But Martin admitted that he didn't try to track down the arms deals. Despite the exhaustive examination of Rewald and Bishop, Baldwin, FBI investigators apparently didn't probe the company's dealings overseas.

At Rewald's trial last summer, the jury heard excerpts from two cables from Capt. Edwin (Ned) Avary, the person who allegedly handled the arms deals for Bishop, Baldwin.

The first cable read: "I hope, repeat, hope (to) finalize fantastic military order with awesome yet affable Lebanese gorilla (sic) this weekend."

In the second cable, Avary said, "awaiting urgent details as to firmness of order from the big man here," and made a reference to "heavy equipment." Russel Kim, another Bishop, Baldwin employee who allegedly worked with Avary on several arms transactions, claims that Avary was paid a \$10 million commission on the sale of tanks to Taiwan over a period of several months in mid-1983. Kim, who is reportedly in Korea, owes Bishop, Baldwin \$250,000 in promissory notes.

Avary, a former Pan American World Airways pilot, admitted he had done "volunteer" work for the CIA and had received a CIA clearance as far back as March 1973. But he denied the arms deal ever went through.

Assistant U.S. Attorney John Peyton, who led the prosecution team, says Avary probably does know arms dealers worldwide. But Peyton says the arms deals "never happened."

Only a fraction of Rewald's information on alleged arms deals and other secret CIA operations linked to Bishop, Baldwin was introduced during his trial, which lasted nearly three months and cost the taxpayers between \$5 and \$10 million. If the classified documents that Rewald says will exonerate him had been introduced as evidence, "of course the result would have been the same because the documents are irrelevant," Peyton says. "They only served to muddy the waters."

Peyton's co-counsel, prosecution attorney Theodore Greenberg, declared in his closing argument, "The CIA turned out to be the biggest patsy in this case. If the CIA hadn't been stupid enough, gullible enough to let Rewald provide commercial cover, what would the defense have to talk about? Nothing."

Greenberg said that Rewald "wrapped himself in the American flag and the CIA not out of patriotic motives but of greed."

Defense attorney Brian Tamanaha said documents linking Bishop, Baldwin and Rewald to "the greatest intelligence agency in the world" can't be written off to "poor, bumbling, I'm-a-victim CIA agents." Tamanaha found it incredible that Jack Kindschi, a CIA lifer who worked as a spy in Moscow and considers himself an expert on reading people, could be "set up" by Rewald, whom Tamanaha described as "an amateur."

But what probably killed Rewald's chances with the jury was the testimony of nearly two dozen women. His attorneys say Rewald might well have been acquitted if the government hadn't done such a good job of making Rewald look like a churchgoing hypocrite with a wife and five children.

Prosecutor Greenberg reminded the 8-woman, 4-man jury that Rewald spent \$287,000 on "secret, clandestine meetings with women ... you can convict him ... just on

his spending the money on the women. Did he tell the investors he was taking their money and supporting 15 different women?"

Rewald — whose wife Nancy, a slender brunette, didn't sit through the trial — bursts into tears at the mention of his assignments. "I don't want my family to be hurt any more by this," he says. "I lost the trial because of the women. It was a dirty, disgusting period of my life." It is the only aspect of the case against him he doesn't try to explain away.

The jury, deciding that Rewald's investment scam hadn't been set up by the CIA, found Rewald guilty on 94 of 98 counts. Judge Harold Fong fined Rewald \$352,000, ordered him to pay \$13 million restitution, and sentenced him to 80 years in federal prison. It was the toughest sentence ever

given to a white-collar criminal. Fong labeled Rewald's rip-off of "the young, the old, the infirm and even the blind ... the most reprehensible set of circumstances" he had ever seen. The judge recommended that Rewald serve at least a third of his sentence before he is eligible for parole. After Fong handed down the sentence, a magistrate commented, "Now you know what 'the book' looks like."

The recalcitrant Rewald maintains his innocence. He claims the CIA promised to reimburse him for "operational expenses," but when Bishop, Baldwin was exposed they left him out in the cold along with hundreds of innocent investors. "The investors are the good guys in this," says Rewald, and they too got jobbed by the CIA. For a guy considered the biggest flimflam man in Hawaiian history, Rewald has incurred surprisingly little wrath and rancor; many of the investors have turned their legal guns on the CIA.

Rewald, who labels his trial "a mockery of justice," says he didn't testify in his own defense because he wasn't allowed to talk about clandestine CIA activities. But he successfully passed a polygraph examination administered by a professional polygraph expert in

Los Angeles on his CIA story. He claims that he never lied about anything, except at the CIA's direction, and that a fair trial with all the CIA-related material in evidence will exonerate him.

Federal Public Defender Michael Levine, who defended Rewald, said there is nothing inconsistent in Rewald's story — the CIA either authorized Rewald to do what he did, or condoned it. "If the CIA didn't know about Rewald's criminal record they were grossly incompetent. If they did know they were criminal. The same is true for the whole Bishop, Baldwin episode," he said.

Prosecutor John Peyton, who once worked for the CIA, said Rewald "is just an intelligence groupie from day one. You won't get anybody from the agency to say they did things right — they screwed up." Rewald used the CIA to work his scam, but only to the extent that the CIA story was a good way to answer questions from Bishop, Baldwin employees about the company's strange financial dealings and "orgy of spending."

Peyton concedes that Rewald "weaves a modicum of truth through his entire tale — he's a mastermind. You could see him

sitting up in that office beginning to think it was all working ... Ronald Rewald envisioned himself as some kind of James Bond."

Maybe Rewald was able to take in so many people because he is the antithesis of James Bond. He throws you that hang-dog look with his crinkly, baby-blue eyes that beg you to like him. He shuffles his feet and looks sheepishly at the ground. He walks with his shoulders hunched over from a polo injury. His rising, effeminate voice is about as un-macho as you can get, almost child-like. His mannerisms are child-like and even his handwriting is that of a child's. How can such a schnook be such a crook? He radiates vulnerability. Slick isn't his schtick.

"Everybody that ever met the guy said he is the most sincere, humble, ingratiating person they've ever met," Peyton said. "Every single one of them." The trustee was able to find out how nearly every single cent of the \$22.7 million in investors' money was spent, Peyton said. "The only thing we never found out was what acting school he went to. He must have been an honors graduate." □

Stephen Magagnini is a staff writer for the magazine.

Taking the CIA to court

Ronald Rewald says he expected the CIA to come to his rescue when he was charged with demise of Bishop, Baldwin, Rewald, Dillingham & Wong, a CIA front in Honolulu.

So Rewald hired Melvin Belli and sued the CIA for \$671 million. He hoped the CIA would settle with him "as a nuisance thing and say, 'Rewald's a crook and we were never involved with him but it isn't worth fighting. Here's \$15 million. Go away.'" He figured he'd be sentenced to five years in prison for theft, and end up serving one.

Instead of getting 5 years, Rewald got 80.

While Rewald, a convicted swindler, may not have much chance of collecting from the CIA, several investors in Bishop, Baldwin have filed multi-million dollar civil suits against the agency for "gross negligence."

Sacramento attorney Rodney Klein is suing the CIA for \$5 million in San Francisco federal district court on behalf of Robert Jinks, an attorney who persuaded 17 investors from Napa to invest in Bishop, Baldwin. Jinks and the other Napa investors lost \$600,000 between them.

Klein, who gained national attention when he successfully sued the A.H. Robins Co., maker of the Dalkon Shield, an unsafe intra-uterine device, on behalf of 150 women, is hoping to see the CIA in court before year's end.

"If the CIA is fooled by a 'second-rate con,' that smacks to me of civil fraud," says Klein. "If the CIA selected the company (Bishop, Baldwin) to provide cover and didn't investigate it or Rewald more thoroughly — if they truly were conned — they were negligent. If the CIA helped set it up, they defrauded the American public."

John Hill, an associate of Melvin Belli, has filed a similar civil suit in Honolulu on behalf of investors Ted and Miriam Frigard of Beverly Hills, who lost \$257,000.

Hill said the government may invoke the "State Secret" clause, which would nullify any lawsuit that might endanger national security. "I think the only issue is the level of CIA involvement," said Hill. "We're claiming that the

CIA was negligent at the very least in not running its shop in a better way, just like any enterprise that brings in investors. If they're saying we can never see it and find out about it (the extent of the CIA's involvement with Bishop, Baldwin), then who's to know except Big Brother?"

Roger D. Einerson, senior trial attorney for the U.S. Department of Justice, said the civil suits filed against the CIA "are pretty much on hold awaiting the appeal in the Rewald criminal case."

Einerson acknowledges that the civil actions against the CIA in the Rewald case are unprecedented: "As far as I know, these are the only cases where something like this (pyramid scheme) has ever been alleged against the CIA."

Rewald's own hopes rest on his criminal appeal, which is being prepared by A. Brent Carruth, an

attorney from Van Nuys who believes the government obstructed justice by failing to disclose hundreds of CIA documents relating to Bishop, Baldwin. Carruth says the appeal "is probably a year away," but he has filed an application for Rewald's release pending the appeal, that could get Rewald out of jail in 45 days.

Federal Public Defender Michael Levine, who defended Rewald in his criminal trial, says, "The CIA is playing by a different set of rules. I'm deeply troubled that the full extent of the CIA involvement with Bishop, Baldwin was not allowed to come before the jury. I do not think that national security would have been jeopardized and I am a fierce patriot."

"My personal feeling is that the full truth did not come out in the trial. I don't know the whole truth. But if even the part of the truth that I *know* were to come out, Mr. Rewald would have a damn good shot at acquittal."

What are the chances that Belli, Klein, Hill or Carruth will win their lawsuits against the CIA?

John Greaney, executive director of the Association of Former Intelligence Officers and former associate general counsel for the CIA, puts it this way: "There's an old legal saying: 'You can sue the bishop of Boston for bastardy, but you can't win.' " □

— Stephen Magagnini